

Memorandum

To: Panel Members

From: Charles Rufo, Manager
Peter DeMauro, General Counsel

Subject: One-Step Agreement for **Pelco (HUA)**
(www.Pelco.com)

Date: December 19, 2002

Analyst: R. Hernandez

CONTRACTOR:

- Training Project Profile: Retraining: companies with out-of-state competition and Training in High Unemployment Areas of California
- Legislative Priorities: Moving to a High Performance Workplace and Promotion of California's Manufacturing Workforce
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 1,217
 - In California: 1,117
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$806,156
- Substantial Contribution: \$0
- Total ETP Funding: \$806,156
- In-Kind Contribution: \$1,270,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Fresno
- Duration of Agreement: 24 Months

SUBCONTRACTORS:

Almaden Consulting Group, San Jose, California, Training Services. Fees to be determined.
ExecuTrain, Fresno, California, Training Services. Fee to be determined.

THIRD PARTY SERVICES:

Deloitte and Touche assisted with the program training assessment and agreement development. Fees for these services will be 15 percent of the ETP funds earned by the Contractor during the term of the ETP Agreement, not to exceed \$55,000.

NARRATIVE:

This entity is eligible under Title 22, California Code of Regulations, Section 4416(b) which states in part that a company engaged in manufacturing is deemed to meet the out-of-state competition requirement for purposes of Panel funding.

Founded in 1949, Pelco designs, develops, and manufactures video security systems and equipment. Pelco products, more than 2,500, are sold through a network of 3,500 dealers throughout the United States and 130 countries. The company's products are installed in approximately 300,000 locations worldwide including the Statue of Liberty in New York. Headquartered in Clovis, California, Pelco is one of the largest employers in the Fresno area. Company facilities in New York allow it to compete on the East Coast. Recently the company opened additional sales and training offices in Las Vegas, Nevada, and in the Netherlands, as well as a European Distribution Center.

As a manufacturer of video security systems, Pelco performs in a very competitive industry. In order to distinguish it from both national and international competitors such as Sony, Panasonic, General Electric, Silent Witness, and Sensormatic (owned by Tyco), it is imperative that the company stays ahead of the curve and maintains its current level of 100 percent customer satisfaction.

Pelco is becoming a high performance workplace where new processes and skill requirements are being implemented. The company will implement continuous improvement processes to improve production, enhance team building and problem solving skills to equip frontline workers with decision-making tools, strengthen overall management to increase efficiency, upgrade business skills for a greater attention to customer demand, and provide more complex job skills with new computer skills and advanced technology. This training program will increase efficiency, produce a quality product at a lower cost, and improve the company's overall competitiveness.

Continuous Improvement Training: Quality Improvement, International Standards of Operation, Process Improvement, Team Building, and Problem Solving training will increase efficiency, provide guidance on how to improve Pelco's current production processes, and provide the skills to solve problems. Employees will receive "Best Practices" and "Kaizen/Deming" training in order to equip them with the skills to improve the production line and focus on teamwork. All trainees, consisting of 978 employees, will receive one or more modules of Continuous Improvement training.

Business Skills: Business Skills training will include the following modules: Fanatical Customer Service Skills, Video Security Institute Training, and Communication Skills. The Fanatical Customer Service module is required because Pelco demands customer service that goes above and beyond its level of 100 percent customer satisfaction. The Video Security Institute training, product overview, maintenance, and usage will be provided to sales and marketing staff to prepare these personnel for technical questions related to Pelco products. Communication skills will increase an employee's ability to work effectively

NARRATIVE: (continued)

with customers and their accounts. All trainees will receive one or more modules of Business Skills training.

Computer Skills: The implementation of new computer systems and improvements of existing systems necessitates Computer Skills training. Specifically, training related to computer networking, computer programming, Oracle systems and various software applications are critical to ensure Pelco can effectively use the computer technology in which it has invested. The software applications training related to Electronic Data Interchange (EDI) Technology, Imaging Technology, and the Customer Relations Management (CRM) Technology are new software packages that will help Pelco transition from a paper driven data management system to an electronic data management system. In addition, trainees will receive Digital Technology and Facial Recognition training. The Digital Technology training will transition Pelco's system from analog to digital. Facial Recognition training will train employees in passenger screening, technology matches, and facial points. These are all significant changes in facial recognition technology. All trainees will receive one or more modules of Computer Skills training.

Management Skills: Pelco believes that optimal manufacturing begins with optimal management, and therefore, Management Skills are a key part of Pelco's training curriculum. Pelco will provide its management team with training in leadership skills and employee relations. The focus of this training will be to empower Managers and Leads to become effective leaders, deal proficiently with a diverse workforce, and provide skills to guide and motivate staff. Only Managers and Leads will receive Management Skills training.

Training will be provided by in-house instructors and training vendors. Pelco staff will provide project administration.

Supplemental Nature of Training

In the past, Pelco provided the following training: On-the-job training for frontline manufacturing workers; Safety training required by OSHA; Safety training above and beyond that required by OSHA; New Hire orientation; Refresher training courses for those needing individualized attention; Training courses related to new company-wide initiatives; and General Sales training. In addition, the training was not extensively tracked and analyzed to determine the effects of training on production and overall efficiency of the company.

Pelco representatives certify that without this training program, employees will not be able to function efficiently or effectively in their jobs and provide the level of customer service required to retain a competitive edge in the market. Without ETP funds, Pelco could not provide the requested training to update its workers' skills within the timeframes and manner needed to successfully maintain and grow its market share.

Pelco currently offers several classes for free to meet their customer needs at the Pelco Video Security Institute (VSI) at their headquarters in Clovis. This training is offered to business owners, managers, architects, and engineers to gain insight into how Pelco products are brought to market. The ETP training program includes two similar 2-day classes offered at the VSI titled "Product Overview" and "Digital Solutions". However, Pelco representatives state that the ETP-funded training is supplemental because it is being provided to its own sales, marketing, and engineering staff, which constitutes a completely new and different population. Furthermore, it is supplemental because the training method and content is different from the training provided to its business customers. According to company representatives, the proposed VSI training in Product Overview and Digital Technology has been and is currently provided to

NARRATIVE: (continued)

customers, but new courses are being created to train Pelco employees in a more formalized manner. Without ETP funding, it is likely that Pelco would not offer these additional courses to its employees.

In the two years following the completion of the ETP training program, Pelco intends to continue to provide a significant amount of training to sustain and reinforce the skills gained in this project. The budget for this training is estimated at \$300,000.

In-Kind Contribution

Pelco will provide an in-kind contribution of approximately \$1,270,000 in trainees' wages and health benefits during training.

COMMENTS:

Frontline Workers

According to the Contractor's representative, 885 trainees in this Agreement are frontline workers, as defined under Title 22 California Code of Regulations, Section 4400(ee). They directly produce or deliver goods or services. The only Managers/Supervisors participating in this Agreement are 107 Supervisors representing 11 percent of the trainees. The 62 Craft Works – Team Leaders and 73 Lead Engineers do not manage employees, only projects, and, therefore, qualify as frontline workers.

Training in High Unemployment Areas of California

This Agreement affects workers in Fresno County, which is a California county with a significantly high unemployment rate, i.e., exceeding the state average by 25 percent or more. Based on Employment Development Department (EDD) figures of October 2002, the specific unemployment rate in Fresno County is 13.5 percent; while the statewide rate is 6.2 percent. The applicant is not requesting a waiver of existing ETP minimum wage policy because the wages to be paid to trainees are high enough to meet the ETP minimum.

Senior Policy Staff

Pelco representatives certify that no senior policy executives who create or implement company policy will be enrolled in the proposed ETP-funded training.

PROPOSED ACTION:

Staff recommends that the Panel approve the One-Step Agreement, if funding is available and the project meets the Panel priorities. The recommendation is based on Pelco's stated need to provide its employees with Continuous Improvement Skills, Business Skills, Management Skills, and Computer Skills required to maintain its competitive edge, improve its manufacturing processes, and preserve its current level of 100 percent customer satisfaction.

TRAINING PLAN:

Job Number / Trainee Type	Types of Training	No. Retain	No. Class / Lab Videocnf. Hrs.	No. CBT Hrs.	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Jobs 1, 5, 6 Retrainees	Continuous Improvement Business Skills Computer Skills	736	42 - 102	0	0	\$546 - \$1,326	*\$11.15 - \$45.67
Jobs 2, 3, 4, 7 Retrainees	Continuous Improvement Business Skills Computer Skills Management Skills	242	50 - 150	0	0	\$650 - \$1,950	*\$11.15 - \$55.29
					<u>Range of Hourly Wages</u> *\$11.15 - \$55.29		
					<u>Average Cost per Trainee</u> \$814		
					<u>Prevalent Hourly Wage</u> \$12.50		
					<u>Turnover Rate</u> 7%		
					<u>% of Mgrs & Supervisors to be trained:</u> 11%		
<u>Health Benefit used to meet ETP minimum wage:</u> *Health Benefits of at least \$2.50 per hour may be used to meet the ETP minimum wage of \$11.15 for Fresno County.							

MENU CURRICULUM
PELCO

Class/Lab Hours
42-150

Trainees will receive any of the following:

CONTINUOUS IMPROVEMENT

ISO 9002 Training

Quality Management
Preventive Actions
Process Improvement

Quality Improvement

Best Practices
Documentation

Process Improvement

Corrective Actions
Preventive Actions
Kaizen/Deming – the Japanese Model

Team Building

Leadership
Communication
Conflict Resolution

Problem Solving

Root Cause Analysis
Quality Tools
Implementation – Plan, Do, Check, Act (PDCA)

BUSINESS SKILLS

Fanatical Customer Service Skills

100% customer satisfaction
Empowerment
Customer needs

Video Security Institute Training

Product Overview
Product Maintenance
Product Usage

Communication Skills

Listening
Interpersonal Skills
Handling Complaints

MENU CURRICULUM

Class/Lab Hours
42-150

PELCO

Trainees will receive any of the following:

MANAGEMENT SKILLS (Jobs 2, 3, 4, and 7 only for Managers and Lead Staff)

Leadership Skills

Feedback and Coaching
Dealing with Conflict
Team Diagnosis and Development

Employee Development

Career Paths
Counseling
Workforce Diversity

COMPUTER SKILLS

Computer Networking

Database implementation and design
Administration
Advanced Configuration

Computer Programming

System Administration
Open Systems
Unix Operating

Oracle Training

Windows 2000 Pro and Server
Microsoft Active Directory
Microsoft Networking Essentials

Software Applications

Spreadsheets (Excel, Access)
Word Processing (Word, Word Perfect)
Office (Outlook, Powerpoint)
Electronic Data Interchange (EDI) Technology
Customer Relations Management (CRM)
Imaging Technology

MENU CURRICULUM
PELCO

Trainees will receive any of the following:

Class/Lab Hours
42-150

COMPUTER SKILLS (continued)

Digital Technology

Project Everest
Expanding Current Digital Recorders
Internet Systems

Facial Recognition

Passenger Screening
Technology Matches
Facial Points